

Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 07194 01 OF 02 090050Z
ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FPC-01 H-02 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 OES-07 SP-02
SS-15 STR-04 TRSE-00 ACDA-10 PA-02 PRS-01 NSCE-00
SSO-00 USIE-00 INRE-00 FEA-01 /105 W
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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC NIACT IMMEDIATE 4381

INFO ALL AMCONSULS IN CANADA

UNCLAS SECTION 01 OF 02 OTTAWA 07194

WHITE HOUSE FOR GOLDMAN; STATE FOR KATZ AND EUR/CAN

E.O. 11652: N/A

TAGS: ENRG, PGOV, SENV, CA

SUBJECT: PRIME MINISTER'S PREESS CONFERENCE FOLLOWING
CABINET DECISION ON NORTHERN PIPELINE

REF: OTTAWA 7186

1. FOLLOWING IS UNOFFICIAL TRANSCRIPT OF PRIME MINISTER'S
PRESS CONFERENCE AFTER ANNOUNCEMENT OF CABINET DECISION
TRANSMITTED REFTEL. BEGIN TEXT'

2. QUESTION. GIVEN THE FACT THAT THE NATIONAL ENERGY
BOARD SAID IN ITS REPORT THAT THE FINANCIAL PLANNING OF THE
ALCAN ROUTE IS NOT COMPLETE, AND GIVEN THE FACT THAT THE
RESPECTIVE WALL STREET INVESTMENT FIRM HAS REPORTED THIS
PROPOSED PIPELINE CANNOT BE BUILT WITHOUT SOME KIND OF
FINANCIAL GUARANTEES BEING PROVIDED BY ONE GOVERNMENT OR
ANOTHER, IS IT POSSIBLE THEN THAT THE CANADIAN GOVERNMENT
WOULD PROVIDE BACKSTOPPING FOR THIS PROPOSAL?

UNCLASSIFIED

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PAGE 02 OTTAWA 07194 01 OF 02 090050Z

----ANSWER. I SHOULD TELL YOU NOW IN ANSWER TO THIS QUES-
TION AND TO, I SUPPOSE, MANY OTHERS THAT WE WOULDN'T
ATTEMPT TODAY AT A PRESS CONFERENCE TO GIVE OUR NEGOTIATING
POSITION IN ANY DETAIL. THERE ARE MANY QUESTIONS THAT WE
ARE GOING TO HAVE TO DISCUSS WITH THE AMERICANS AND THE
CABINET OF COURSE WILL BE FREQUENTLY CONSULTED BY THE
NEGOTIATORS, AS WELL AS CONSULTING THE AD HOC COMMITTEE ON

WHICH THE RELEVANT MINISTERS ARE MEMBERS, AND THAT IS PROBABLY AS FAR AS I'LL BE ABLE TO GO IN ANSWERING MOST QUESTIONS. ON YOUR PRECISE QUESTION, IT IS OUR HOPE AND INTENTION THAT THE FINANCING WILL BE BY THE PRIVATE SECTOR AND CANADIAN GOVERNMENTAL INVOLVEMENT IS NOT ENVISAGED IN BACKING UP AND IN FINANCING THE DEAL.

3. QUESTION' WHAT JUDGMENTS HAVE YOU REACHED IN YOUR DELIBERATIONS AS TO HOW IMPORTANT IT IS TO THE NATIONAL INTEREST THAT THIS PIPELINE ACTUALLY BE BUILT--IN OTHER WORDS ARE YOU APPROACHING THE DISCUSSIONS WITH THE UNITED STATES ON THE BASIS THAT WE'RE LUKEWARM TO IT AND IF THEY WANT TO MEET OUR CONDITIONS, FINE, AND IF THEY DON'T THAT'S FINE TOO, OR APPROACHING ON THE BASIS THAT IT IS FUNDAMENTALLY IMPORTANT TO CANADA'S INTEREST THAT SOME WAY BE FOUND TO BUILD THIS PIPELINE?

-----ANSWER. I WOULD SAY THE LATTER. THE RELEASE MAKES IT QUITE CLEAR THAT WE BELIEVE THAT THE BUILDING OF THIS PIPELINE IS IN CANADA'S INTEREST, BUT THAT WILL ONLY BE THE CASE IF THE NEGOTIATIONS SHOW THAT THESE VARIOUS CONDITIONS AND TERMS TO WHICH WE ALLUDE RELATIVE TO THE ENVIRONMENT, NATIVE RIGHTS, DEVELOPMENT OF THE NORTH, AND SO ON, AND OF COURSE THE ECONOMIC BENEFITS TO CANADA, INCLUDING THE ACCESS TO OUR OWN GAS IN THE DELTA, ARE MET. NOW, THERE IS A POINT BEYOND WHICH IT WILL CEASE TO BE IN CANADA'S INTEREST TO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 07194 01 OF 02 090050Z

BUILD THIS PIPELINE AND THIS WILL BE THE SUBJECT MATTER OF THE WHOLE NEGOTIATION. WE ARE NOT GOING INTO THIS IN ORDER TO TAKE THE AMERICAS FOR A RIDE AND WE EXPECT THAT THEY'RE NOT COMING INTO IT TO TAKE US FOR A RIDE. PRESIDENT CARTER AND I AGREED THIS MORNING ON I THINK SOME RATHER FUNDAMENTAL PRINCIPLES, TO WIT, THAT THE DATA ON WHICH OUR DECISIONS WOULD BE BASED WOULD BE KNOWN TO BOTH OF US. THAT WE WOULDN'T SORT OF BE PADDING OUR BILLS, THAT THEY WOULDN'T BE BLUFFING THAT THEY HAVE ALL KINDS OF OTHER ROUTES UP THEIR SLEEVE. WE AGREED THAT IT IS IN THE INTERESTS OF BOTH COUNTRIES TO BUILD THIS PIPELINE AND WE WILL MAKE BEST EFFORTS TO SEE THAT IT IS BUILT IN THE INTERESTS OF BOTH COUNTRIES. BUT, THERE IS A SITUATION BEYOND WHICH WE WILL NOT GO. WE ARE NOT GOING TO BUILD IT IF IT IS NOT OF SIGNIFICANT BENEFIT TO CANADA. AND THERE IS A POINT BEYOND WHICH THE AMERICANS WILL NOT GO--THEY WON'T BUILD IT IF THEY END UP HAVING GREATER ADVANTAGE WITH THE EL PASO LINE. SO IT SHOULD BE CLEAR AT THE OUTSET THAT THESE ARE GOING TO BE TOUGH NEGOTIATIONS, EVEN THOUGH BOTH PARTIES WANT THEM TO SUCCEED, THEY WILL BE TOUGH. AND IT IS QUITE CONCEIVABLE THAT THEY WILL NOT BE SUCCESSFUL, BUT I THINK IF THEY ARE NOT SUCCESSFUL IT IS BECAUSE BOTH COUNTRIES WILL HAVE COME

TO THE CONCLUSION THAT THEY CAN'T MAKE THEIR INTERESTS
COMPATIBLE AND THEY CAN'T MARRY THEIR INTERESTS IN THIS
PARTICULAR ROUTE, IN WHICH CASE I AM QUITE CERTAIN THAT
PRESIDENT CARTER AND I WILL TRY AND GET TOGETHER TO SEE IF
THERE IS ANY FINAL WAY IN RESOLVING OUR DIFFERENCES AND, IF
THERE IS NOT, I HOPE THAT WE WILL PART AS THE BEST OF
FRIENDS AND THEY WILL CONSIDER SOME OTHER ROUTE. BUT THAT
IS A NEGATIVE RESULT THAT NEITHER OF OUR GOVERNMENTS APPRE-
HEND--WE ARE GOING INTO THIS WITH GREAT OPTIMISM, WE ARE
CONFIDENT THAT IT WILL SUCCEED AND ARE CONFIDENT THAT IT IS
IN THE INTERESTS OF BOTH COUNTRIES. INDEED, THAT WAS THE
OBJECT OF MY PHONE CALL TO PRESIDENT CARTER BEFORE
THE FINAL DECISION WAS MADE. HAD I HAD SOME FEELING THAT

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PAGE 01 OTTAWA 07194 02 OF 02 090056Z
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UNCLAS SECTION 02 OF 02 OTTAWA 07194

THEY WERE INDIFFERENT AS TO ONE ROUTE OR ANOTHER, I THINK
IT WOULD HAVE MADE IT MUCH MORE DIFFICULT FOR THE CANADIAN
GOVERNMENT TO ENTER THIS NEGOTIATION. BUT OBVIOUSLY WE
HAVE A PREFERENCE AND THEY HAVE A PREFERENCE, AND IT'S ON
THIS BASIS THAT WE'RE GOING TO TRY AND AGREE. AND I THINK
WE WILL SUCCEED.

4. QUESTION. DO YOU HAVE A DEADLINE?

-----ANSWER. WE DON'T HAVE A DEADLINE, BUT THE AMERICAN
PRESIDENT HAS A DEADLINE OF THE FIRST OF SEPTEMBER AND WE
ALL KNOW THAT HE CAN SEEK A PERIOD OF GRACE OF 90 DAYS IF
NECESSARY. BUT OUR COMMUNICATION TO HIM AND
INDEED THE REASON WHY WE HAD THIS DEBATE IN THE MIDDLE OF
SUMMER AND WE HAD CABINET SIT ALL DAY SATURDAY AND ALL DAY

TODAY, OR MOST OF THE DAY TODAY, IS BECAUSE WE WANTED TO TELL THE AMERICANS NOW THAT AS FAR AS WE WERE CONCERNED WE WANTED THAT PIPELINE AND WE WERE PREPARED TO NEGOTIATE ON IT IN THE BEST OF FAITH. AND I'M QUITE SURE THE AMERICANS WILL DO THE SAME AND IF WE CAN REACH AN AGREEMENT IN PRINCIPLE AGAIN BEFORE THE FIRST OF SEPTEMBER THEN THERE WILL BE A LOT OF DETAILS TO BE IRONED OUT, BUT THEY

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UNCLASSIFIED

PAGE 02 OTTAWA 07194 02 OF 02 090056Z

SHOULD BE RELATIVELY EASY ONES IF TAKEN BIT BY BIT.

5. QUESTION. YOU SAY IN YOUR STATEMENT THAT YOU WOULD WANT AS A CONDITION OF BUILDING THE PIPELINE TO SEEK ASSURANCES THAT ANY SOCIAL AND ECONOMIC IMPACT WOULD BE MINIMALIZED AND ADEQUATE COMPENSATION PROVIDED FOR THOSE WHICH ARE UNAVOIDABLE. WOULD YOU WANT THAT COMPENSATION PAID FOR BY THE AMERICAN PIPELINE COMPANIES AND THENCE BY AMERICAN CONSUMERS OR IS THAT A NEGOTIABLE ITEM?

----ANSWER. WELL IF I CAN TELL YOU A SECRET, WE'D LIKE TO HAVE THE AMERICANS PAY AS MUCH AS POSSIBLE. BUT WE REALIZE AT SOME POINT WE HAVE TO BE REASONABLE WITH THEM. WE'VE GOT TO KEEP IN MIND, AND I THINK IT'S APPROPRIATE TO REMIND THE CANADIAN PUBLIC THROUGH YOU AT THIS PRESS CONFERENCE, THAT WE HAVE PIPELINES THROUGH THE UNITED STATES. THERE IS A VERY IMPORTANT PIPELINE BETWEEN PORTLAND AND MONTREAL; THERE IS A VERY IMPORTANT PIPELINE BETWEEN THE WESTERN PROVINCES AND ONTARIO, GOING THHROUGH THE UNITED STATES' AND I DON'T THINK WE CAN ASK ANYTHING OF THEM WHICH WE WOULD FIND UNREASONABLE IF THEY ASKED IT OF US. IN THE NORTH THERE ARE SPECIAL CIRCUMSTANCES AND WE INTEND TO PLEAD THEM, BUT WE INTEND BEING REASONABLE ON THIS AND ANYTHING WE CAN'T PROVE AS REASONABLE WE WON'T PRESENT--WE WON'T PUT FORWARD.

6. QUESTION. MR. PRIME MINISTER, JUST TO COVER ALL GROUNDS, WHAT HAPPENS IF CANADA AND THE UNITED STATES CAN NOT AGREE TO A PIPELINE? WHAT ARE CANADA'S POPTIONS?

----ANSWER. WELL, WE STILL HAVE A LOT OF OTHER OPTIONS-- WE STILL HAVE THE BUILDING OF A PIPELINE OURSELVES AS ONE POSSIBILITY, WE STILL HAVE A POSSIBILITY OF DELAYING A

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PAGE 03 OTTAWA 07194 02 OF 02 090056Z

DECISION OF A PIPELINE IN CANADA. WE'LL TELL YOU WHAT WE'LL DO IF THE NEGOTIATIONS FAIL. WE THINK THEY WON'T.

END TEXT. ENDERS

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